

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CLIMAX VILLAGE	County KALAMAZOO
Fiscal Year End 3-31-06	Opinion Date 10-11-06	Date Audit Report Submitted to State 10-20-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


SE 2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) FOOTE AND LLOYD, C.P.A.s		Telephone Number (269) 962-7518	
Street Address TWO WEST MICHIGAN, SUITE 210		City BATTLE CREEK	State MI
		Zip 49017	
Authorizing CPA Signature 		Printed Name CHARLES W. FOOTE	License Number 1101007397

**VILLAGE OF CLIMAX
KALAMAZOO COUNTY, MICHIGAN**

**REPORT OF AUDIT
AS OF
MARCH 31, 2006**

**FOOTE and LLOYD
CERTIFIED PUBLIC ACCOUNTANTS
BATTLE CREEK, MICHIGAN**

**VILLAGE OF CLIMAX
KALAMAZOO COUNTY, MICHIGAN**

OFFICIARY

Don Stevenson	President (to January 2006)
Bill Rogers	President (from January 2006)
Scott Torrance	Clerk
Deborah Wyant	Treasurer
Terry Strong	Trustee
Salli Thompson	Trustee (to August 2005)
Bill Twiss	Trustee (to September 2005)
Tricia Willis	Trustee
Bill Rogers	Trustee (to January 2006)
Bradley J. Wyant	Trustee (to August 2005)
William Lewis	Trustee (from September 2005)
Thomas Jones	Trustee (from January 2006)
David Dell	Trustee (from September 2005)
Lisa Strong	Trustee (from September 2005)

Population 791

2000 Census

VILLAGE OF CLIMAX

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Foote and Lloyd

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CHARLES W. FOOTE
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GLEN C. SAUER

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS

*FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Village President and
Members of the Council
Village of Climax
Climax, Michigan

We have audited the general purpose financial statements of the Village of Climax, Kalamazoo County, Michigan, as of and for the year ended March 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and including those prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Village of Climax, Kalamazoo County, Michigan, as of March 31, 2006, and the results of its operation for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and the individual account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Climax, Kalamazoo County, Michigan. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
October 11, 2006

VILLAGE OF CLIMAX
Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

In a condensed format, the table below shows net assets as of fiscal year-end:

	Governmental and Water System Activities 3-31-06	3-31-05 (None available)
Current Assets	475,998	
Noncurrent Assets	<u>638,356</u>	
Total Assets	1,114,354	
Other Liabilities	4,864	
Debt	<u>220,000</u>	
Total Liabilities	224,864	
Net Assets		
Invested in Capital Assets - Net of Debt	418,356	
Restricted for Capital Projects	-	
Unrestricted	<u>471,134</u>	
Total Net Assets	<u>889,490</u>	

A comparative analysis will be provided in future years when prior year information is available.

The following table shows the changes of the net assets:

	Governmental and Water System Activities 3-31-06	3-31-05 (None available)
Program Revenues		
Charges for Services	69,194	
General Revenues		
Property Taxes	121,382	
State-Shared Revenues	135,170	
Unrestricted Investment Earnings	8,623	
Miscellaneous	44,533	
Transfers	<u>-</u>	
Total Revenues	378,902	

VILLAGE OF CLIMAX
Management's Discussion and Analysis
Page 2

	Governmental and Water System Activities
	3-31-06 3-31-05
	(None available)
Program Expenses	
General Government	168,820
Public Safety	42,760
Public Works	78,013
Recreation and Culture	11,711
Water	<u>215,716</u>
Total Expenses	<u>517,020</u>
Change in Net Assets	<u>(138,118)</u>

The financial position of the Village has deteriorated primarily because of the spending of \$141,464.41 for painting the water tower and the shrinking of revenues from the State of Michigan.

The Village did not experience any significant increase in its tax base. The total taxable value on the 2004 tax roll was \$13,066,463 and it was \$13,486,979 on the 2005 tax roll. Most of the vacant land in the Village is zoned for agricultural use.

There were no other significant economic events in this fiscal year.

The general fund balance was significantly reduced because \$100,000 was transferred to the water system fund in order to pay for the painting of the water tower.

There are no individual funds that have restrictions or other limitation on the availability of fund resources.

The variance between the original budget and the final budget was due to amending for estimated rental from a communication company. The variance between the final budget and the actual expenditures was due to the fact that the costs of road maintenance and water tower maintenance were both less than expected. It is anticipated that the Village will need to increase water rates to customers.

Based upon currently known facts, decisions or conditions, there is no reason to believe that the Village will experience a change in its financial position or results of operations.

BASIC FINANCIAL STATEMENTS

VILLAGE OF CLIMAX
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
MARCH 31, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	356,736	73,491	430,227
Receivables - Net	12,232	33,539	45,771
Capital Assets - Net	<u>94,306</u>	<u>544,050</u>	<u>638,356</u>
Total Assets	463,274	651,080	1,114,354
Liabilities			
Accounts Payable	4,174	690	4,864
Current Portion of Long Term Debt	-	25,000	25,000
Long Term Debt	<u>-</u>	<u>195,000</u>	<u>195,000</u>
Total Liabilities	4,174	220,690	224,864
Net Assets			
Invested in Capital Assets			
Net of Related Debt	94,306	324,050	418,356
Restricted for Capital Projects	-	-	-
Unrestricted	<u>364,794</u>	<u>106,340</u>	<u>471,134</u>
Total Net Assets	<u>459,100</u>	<u>430,390</u>	<u>889,490</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF CLIMAX
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED MARCH 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government							
General Government	168,820	12,068	-	-	(156,752)	-	(156,752)
Public Safety	42,760	-	-	-	(42,760)	-	(42,760)
Public Works	78,013	-	-	-	(78,013)	-	(78,013)
Recreation and Culture	11,711	-	-	-	(11,711)	-	(11,711)
Total Governmental Activities	301,304	12,068	-	-	(289,236)	-	(289,236)
Business Type-Activities							
Water	215,716	57,126	-	-	-	(158,590)	-
Total Primary Government	<u>517,020</u>	<u>69,194</u>	<u>-</u>	<u>-</u>	(289,236)	(158,590)	(289,236)
General Revenues							
Property Taxes					121,382	-	121,382
State-Shared Revenues					135,170	-	135,170
Unrestricted Investment Earnings					7,164	1,459	8,623
Miscellaneous					27,409	17,124	44,533
Transfers					<u>(100,000)</u>	<u>100,000</u>	-
Total General Revenues--Special Items and Transfers					<u>191,125</u>	<u>118,583</u>	<u>309,708</u>
Change in Net Assets					(98,111)	(40,007)	(138,118)
Net Assets - Beginning					<u>557,211</u>	<u>470,397</u>	<u>1,027,608</u>
Net Assets - Ending					<u>459,100</u>	<u>430,390</u>	<u>889,490</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF CLIMAX
GOVERNMENTAL FUND BALANCE SHEET
MARCH 31, 2006**

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	148,409	165,550	42,777	356,736
Receivables - Net	<u>6,490</u>	<u>4,341</u>	<u>1,401</u>	<u>12,232</u>
Total Assets	154,899	169,891	44,178	368,968
Liabilities				
Accounts Payable	<u>4,019</u>	<u>155</u>	-	<u>4,174</u>
Total Liabilities	4,019	155	-	4,174
Fund Balances				
Reserved for Capital Projects	-	-	-	
Unreserved and Undesignated	<u>150,880</u>	<u>169,736</u>	<u>44,178</u>	<u>364,794</u>
Total Fund Balances	<u>150,880</u>	<u>169,736</u>	<u>44,178</u>	364,794

Amounts reported for governmental activities in the statement of net assets are different because:

*Capital assets used in governmental activities are not financial resources and are not reported in the funds.

94,306

Net Assets of Governmental Activities

459,100

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF CLIMAX
GOVERNMENTAL FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE
FISCAL YEAR ENDED MARCH 31, 2006

	General Fund	Major Streets Fund	Local Streets Funds	Total Governmental Funds
Revenues				
Taxes and Penalties	121,382	-	-	121,382
State-Shared Revenues	75,572	45,055	14,543	135,170
Charges for Services	12,068	-	-	12,068
Interest	3,741	2,739	345	6,825
Other Revenue	<u>27,409</u>	<u>-</u>	<u>-</u>	<u>27,409</u>
Total Revenues	240,172	47,794	14,888	302,854
Expenditures				
Current				
General Government	158,933	-	-	158,933
Public Safety	42,760	-	-	42,760
Public Works	25,975	26,506	25,532	78,013
Recreation and Culture	<u>11,711</u>	<u>-</u>	<u>-</u>	<u>11,711</u>
Total Expenditures	239,379	26,506	25,532	291,417
Excess of Revenues Over (Under) Expenditures Other Financing Sources (Uses)	793	21,288	(10,644)	11,437
Transfers In	339	-	24,523	24,862
Transfers (Out)	<u>(114,323)</u>	<u>(10,200)</u>	<u>-</u>	<u>(124,523)</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(113,191)	11,088	13,879	(88,224)
Fund Balance - Beginning of Year	<u>264,071</u>	<u>158,648</u>	<u>30,299</u>	<u>453,018</u>
Fund Balance - End of Year	<u>150,880</u>	<u>169,736</u>	<u>44,178</u>	364,794

Amounts reported for governmental activities in the statement of activities are different because:

*Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. (9,887)

Change in Net Assets of Governmental Activities (98,111)

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF CLIMAX
BALANCE SHEET
PROPRIETARY FUND
WATER SUPPLY SYSTEM FUND
MARCH 31, 2006**

ASSETS

CURRENT ASSETS

Cash	73,491	
Accounts Receivable	<u>33,539</u>	
Total Current Assets		107,030

CAPITAL ASSETS

Land	35,066	
Buildings	42,769	
Distribution System	1,074,459	
Less: Accumulated Depreciation	<u>(608,244)</u>	
Net Fixed Assets		<u>544,050</u>

TOTAL ASSETS		<u><u>651,080</u></u>
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LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accounts Payable	690	
Current Portion of Long Term Debt	<u>25,000</u>	
Total Current Liabilities		25,690

LONG TERM LIABILITIES

Bonds Payable	220,000	
Less: Current Portion (Above)	<u>(25,000)</u>	
Total Long Term Liabilities		<u>195,000</u>

Total Liabilities		220,690
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FUND EQUITY

Invested in Capital Assets		
Net of Related Debt	324,050	
Unrestricted	<u>106,340</u>	
Total Fund Equity		<u>430,390</u>

TOTAL LIABILITIES AND FUND EQUITY		<u><u>651,080</u></u>
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The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
STATEMENT OF REVENUES, EXPENSES &
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
WATER SUPPLY SYSTEM FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2006**

REVENUES	
Charges for Service	30,772
Interest	1,459
Hydrant Assessments	26,176
Connections	178
Other	<u>17,124</u>
Total Operating Revenues	75,709
OPERATING EXPENSES	
Salaries & Wages	17,957
Professional Fees	3,153
Supplies - Office & Other	493
- Operating	359
Repairs	149,068
Utilities & Fuel	6,009
Depreciation	27,052
Interest	11,625
Other	<u>-</u>
Total Operating Expenses	<u>215,716</u>
Operating Income (Loss)	(140,007)
OTHER FINANCING SOURCES (USES)	
Transfers From (To) Other Funds	<u>100,000</u>
Total Financing Sources (Uses)	<u>100,000</u>
Net Income (Loss)	(40,007)
RETAINED EARNINGS - Beginning of Year	<u>470,397</u>
RETAINED EARNINGS - End of Year	<u><u>430,390</u></u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	63,027
Payments to Suppliers	(160,964)
Payments to Employees	(17,957)
Other Receipts	<u>8,473</u>
Net Cash Provided by Operating Activities	(107,421)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from General Fund	100,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING	
Principal Paid on Capital Debt	(25,000)
Interest Paid on Capital Debt	<u>(11,625)</u>
Net Cash (Used) by Capital and Related Financing Activities	(36,625)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>1,459</u>
Net (Decrease) in Cash and Cash Equivalents	(42,587)
BALANCE - Beginning of Year	<u>116,078</u>
BALANCE - End of Year	<u><u>73,491</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	(140,007)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) by Operating Activities:	
Amortization of Capital Contribution	(8,651)
Depreciation Expenses	27,052
Interest Paid on Capital Debt	11,625
Interest Earned From Investing Activities	(1,459)
Change in Assets and Liabilities:	
Receivables - Net	5,901
Accounts Payable	<u>(1,882)</u>
Net Cash Provided by Operating Activities	<u><u>(107,421)</u></u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
CEMETERY PERPETUAL CARE FUND
MARCH 31, 2006**

ASSETS

Cash	<u>11,407</u>	
TOTAL ASSETS		<u><u>11,407</u></u>

LIABILITIES & FUND BALANCE

Liabilities		
Due to Other Funds	-	
Fund Balance - Undesignated	<u>11,407</u>	
TOTAL LIABILITIES & FUND BALANCE		<u><u>11,407</u></u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
CEMETERY PERPETUAL CARE FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2006**

	Actual
REVENUES	
Interest Income	<u>339</u>
Total Revenues	339
EXPENDITURES	
None	<u>-</u>
Total Expenditures	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	339
OTHER FINANCING SOURCES (USES)	
Transfers From (To) Other Funds	
General Fund	<u>(339)</u>
EXCESS OF REVENUES & OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES & OTHER USES	-
FUND BALANCE - Beginning of Year	<u>11,407</u>
FUND BALANCE - End of Year	<u><u>11,407</u></u>

The Notes to Financial Statements are an integral part of these statements.

VILLAGE OF CLIMAX
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

A. Reporting Entity

The Village was organized in 1900 and covers an area of one square mile. The Village operates under an elected council of nine members and provides services to its almost 700 residents in many areas including highway and street maintenance, and police and fire protection. The General Purpose Financial Statements contain all the funds and account groups that are controlled by or are dependent on the Village's executive or legislative branches. Fire protection is provided to the residents by contract with the Climax Township Fire Department. Police protection is provided by contract with Kalamazoo County.

Blended Component Units - There are no blended component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All of the governmental funds are major funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF CLIMAX
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Village property tax is levied on each July 1st on the taxable valuation of property (as defined by State statutes) located in the Village as of the preceding December 1st.

Although the Village ad valorem tax is levied and collectible on July 1, it is the Village's policy to recognize revenue from the current tax levy in the subsequent year OR the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 taxable valuation of the Village totaled \$13,502,879, on which ad valorem taxes levied consisted of nine mills for the Village operating purposes. Two additional mills are levied for fire hydrants. These amounts are recognized in the respective financial statements as taxes receivables-current or as tax revenue.

All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

There are also two Special Revenue Funds as follows:

The Major Street Fund accounts for the construction and maintenance of state trunklines and for all related revenues.

The Local Street Fund accounts for the construction and maintenance of local streets and for all related revenues.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and any business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 1st. Taxes are considered delinquent on September 15th of the following year, at which time penalties and interest are assessed.

VILLAGE OF CLIMAX
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimates useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	25 to 50 years
Vehicles	5 to 7 years
Equipment	5 to 20 years
Distribution System	42 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The differences between the government-wide and fund financial statements are reconciled as shown at the bottom of the fund financial statements.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Village for these budgetary funds were adopted to the line item level.

During the year ended March 31, 2006, the Village incurred expenditures in no budgetary funds which were in excess of the amounts appropriated.

VILLAGE OF CLIMAX
Notes to Financial Statements
March 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Council has designated one bank for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	356,735	73,491	11,407	441,633
Investments	-	-	-	-
Restricted Assets	-	-	-	-
Total	<u>356,735</u>	<u>73,491</u>	<u>11,407</u>	<u>441,633</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	537,308
Investments in Securities, Mutual Funds and Similar Vehicles	-
Petty Cash and Cash on Hand	-
Total	<u>537,308</u>

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Amount</u>
Insured (FSIC & FSLIC)	327,674	327,674
Uninsured and Uncollateralized	113,959	116,090
Total Deposits	<u>441,633</u>	<u>443,764</u>

VILLAGE OF CLIMAX
Notes to Financial Statements
March 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Government Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the government held no investments except cash and cash equivalents.

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major and Nonmajor funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Major Streets Fund	Local Streets Fund	Water Supply System Fund	Total
Taxes Receivable	6,490	-	-	-	6,490
Accounts	-	-	-	33,539	33,539
Intergovernmental	-	4,341	1,401	-	5,742
Interest and Other	-	-	-	-	-
Gross Receivables	6,490	4,341	1,401	33,539	45,771
Less: Allowance for Uncollectible	-	-	-	-	-
Net Receivables	<u>6,490</u>	<u>4,341</u>	<u>1,401</u>	<u>33,539</u>	<u>45,771</u>

Government funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes	-	-
Special Assessments	-	-
Grant Drawdowns Prior to Meeting all Eligibility Requirements	-	-
Total	<u>None</u>	<u>None</u>

VILLAGE OF CLIMAX
Notes to Financial Statements
March 31, 2006

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	38,066	-	-	38,066
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	38,066	-	-	38,066
Capital Assets Being Depreciated				
Buildings	751,469	-	-	751,469
Equipment and Fixtures	211,672	20,550	-	232,222
Vehicles	17,007			17,007
Distribution System	<u>1,074,459</u>	<u>-</u>	<u>-</u>	<u>1,074,459</u>
Subtotal	2,054,607	20,550	-	2,075,157
Less: Accumulated Depreciation for				
Buildings	708,734	4,078	-	712,812
Equipment and Fixtures	173,244	6,177	-	179,421
Vehicles	14,106	1,343		15,449
Distribution System	<u>541,845</u>	<u>25,340</u>	<u>-</u>	<u>567,185</u>
Subtotal	<u>1,437,929</u>	<u>36,938</u>	<u>-</u>	<u>1,474,867</u>
Net Capital Assets Being Depreciated	<u>616,678</u>	<u>(16,388)</u>	<u>-</u>	<u>600,290</u>
Governmental Activities Capital Total				
Capital Assets - Net of Depreciation	<u>654,744</u>	<u>(16,388)</u>	<u>-</u>	<u>638,356</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Unallocated	<u>36,938</u>
Total Governmental Activities	<u>36,938</u>

NOTE 7 - LONG TERM DEBT

The following is a summary of the debt outstanding of the Village of Climax as of March 31, 2006:

	Interest	Maturity	Amount
General Obligation Bonds	5%	2020	220,000

VILLAGE OF CLIMAX
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 7 - LONG TERM DEBT - Continued

COUNTY OF KALAMAZOO - STATE OF MICHIGAN
WATER SUPPLY SYSTEM NO. 1 VILLAGE OF CLIMAX BONDS

The annual principal requirements for all debts outstanding as of March 31, 2006, are as follows:

General Obligation Bonds

<u>Principal Due May 1</u>	<u>Amount</u>	Interest @ 5%	<u>May 1</u>	<u>November 1</u>	<u>Total</u>
2006	25,000	5,500	4,875		35,375
2007	25,000	4,875	4,250		34,125
2008	25,000	4,250	3,625		32,875
2009	15,000	3,625	3,250		21,875
2010	15,000	3,250	2,875		21,125
2011	15,000	2,875	2,500		20,375
2012	15,000	2,500	2,125		19,625
2013	15,000	2,125	1,750		18,875
2014	10,000	1,750	1,500		13,250
2015	10,000	1,500	1,250		12,750
2016	10,000	1,250	1,000		12,250
2017	10,000	1,000	750		11,750
2018	10,000	750	500		11,250
2019	10,000	500	250		10,750
2020	10,000	250	-		10,250
Totals	<u>220,000</u>	<u>36,000</u>	<u>30,500</u>		<u>286,500</u>

Original Issue Amount - \$780,000

Bonds dated March 1, 1981, first coupon due November 1, 1981, payable from bond proceeds - 8 months. Capitalized interest payable from bond proceeds through November 1983. Bonds delivered April 8, 1982.

The following is a summary of debt transactions of the Village of Climax for the year ended March 31, 2006:

	General Obligation Bonds
Debt Payable - April 1, 2005	245,000
Principal Payments	<u>25,000</u>
Debt Payable - March 31, 2006	<u>220,000</u>

VILLAGE OF CLIMAX
Notes to Financial Statements
March 31, 2006

NOTE 8 - RISK MANAGEMENT

The Village's insurance for Workers' Compensation, General Liability and Property Loss and Fleet insurance is carried by an insurance company. The Village is not self-insured other than for minimal deductibles. No known material claims are outstanding. Insurance coverage is substantially the same as in previous years.

NOTE 9 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE 10 - CONSTRUCTION PERMIT FEES

The Village does not issue construction permits or conduct subsequent inspections. All such activity is under the control of Climax Township. As a result, there is no fund balance for such activity.

NOTE 11 - BUDGET RECONCILIATION

	Budgetary Comparison <u>Schedule</u>	GAAP Financial <u>Statements</u>	<u>Difference</u>
Actual Revenues	<u>370,251</u>	<u>378,563</u>	<u>8,312</u>

Explanation of difference:

Appropriation from Perpetual Care Fund	(339)
Amortization of Capital Contribution	<u>8,651</u>
	<u>8,312</u>

NOTE 12 - SUBSEQUENT EVENTS

There are ongoing discussions and negotiations on the question of the Village becoming a City. \$2,582 was spent for fees and other related expenses in that regard during the year.

REQUIRED SUPPLEMENTAL INFORMATION

**VILLAGE OF CLIMAX
BUDGETARY COMPARISON SCHEDULE
GENERAL, MAJOR STREETS, LOCAL STREETS
AND WATER SUPPLY SYSTEM FUNDS
FISCAL YEAR ENDED MARCH 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Favorable (Unfavorable)
Beginning of Year Fund Balance	749,317	749,317	749,317	-
Resources (Inflows)				
Property Taxes	125,000	125,000	121,382	(3,618)
State-Shared Revenues	130,200	130,200	135,170	4,970
Licenses and Permits	1,700	12,216	12,068	(148)
Charges for Services	59,445	59,445	57,126	(2,319)
Interest	5,400	5,400	8,284	2,884
Other	38,409	38,409	35,882	(2,527)
Transfers from Other Funds	<u>340</u>	<u>340</u>	<u>339</u>	<u>(1)</u>
Amounts Available for Appropriation	1,109,811	1,120,327	1,119,568	(759)
Charges to Appropriations (Outflows)				
General Government				
Council	13,200	13,200	11,750	1,450
Clerk	6,000	6,000	6,000	-
Office Supplies	1,700	1,700	1,505	195
Treasurer	5,400	5,400	5,400	-
Tax Collection	1,500	650	644	6
Printing & Publication	2,000	1,550	1,098	452
Legal & Accounting	7,279	5,054	4,983	71
Custodian	14,698	14,698	19,236	(4,538)
Cemetery - Wages	9,967	9,967	10,213	(246)
- Supplies & Other	1,400	1,400	1,206	194
Insurance & Bonds	29,600	28,600	28,593	7
Village Hall	11,283	17,683	20,102	(2,419)
Employee Taxes & Benefits	19,176	19,476	20,806	(1,330)
Other	4,660	5,660	6,545	(885)
Cultural & Recreation				
Library	8,500	8,500	8,500	-
Park	1,000	3,225	3,211	14
Public Works				
Street Lights	9,000	9,000	8,485	515
Sidewalks	3,000	2,000	1,836	164
Drain Maintenance	1,500	-	-	-
Refuse	500	500	137	363
Equipment Maintenance - Wages	10,956	10,956	9,342	1,614
- Supplies	4,000	4,000	2,350	1,650
- Repairs	5,000	1,669	948	721
- Gasoline	2,000	3,500	2,877	623

**VILLAGE OF CLIMAX
BUDGETARY COMPARISON SCHEDULE
GENERAL, MAJOR STREETS, LOCAL
STREETS AND WATER SUPPLY
SYSTEM FUNDS**

Page -2-

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Major Streets	30,300	30,300	26,506	3,794
Local Streets	38,723	38,723	25,532	13,191
Water Supply System	239,445	239,445	215,716	23,729
Public Safety				
Fire Protection	28,021	28,021	28,020	1
Law Enforcement	11,100	13,100	14,390	(1,290)
Tree Maintenance	1,500	500	350	150
Capital Outlay - Equipment	<u>22,409</u>	<u>20,340</u>	<u>20,852</u>	<u>(512)</u>
Total Charges to Appropriations	<u>544,817</u>	<u>544,817</u>	<u>507,133</u>	<u>37,684</u>
Budgetary Fund Balance - End of Year	<u>564,994</u>	<u>575,510</u>	<u>612,435</u>	<u>36,925</u>

The Notes to Financial Statements are an integral part of this statement.

OTHER SUPPLEMENTAL INFORMATION

**VILLAGE OF CLIMAX
COMBINED BALANCE SHEET
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
MARCH 31, 2006**

	<u>GOVERNMENTAL FUND TYPES</u>		<u>PROPRIETARY FUND TYPES</u>	Totals (Memo Only)
	General	Special Revenue	Water Supply System	
<u>ASSETS</u>				
CURRENT ASSETS				
Cash	148,409	208,327	73,491	430,227
Accounts Receivable				
Water Customer	-	-	8,735	8,735
Special Assessments	-	-	24,804	24,804
Delinquent Taxes	6,490	-	-	6,490
State of Michigan	-	5,742	-	5,742
Due From Other Funds	-	-	-	-
Total Current Assets	<u>154,899</u>	<u>214,069</u>	<u>107,030</u>	<u>475,998</u>
FIXED ASSETS				
Land	-	-	35,066	35,066
Buildings	-	-	42,769	42,769
Distribution System	-	-	1,074,459	1,074,459
Equipment	-	-	-	-
Less: Accumulated Depreciation	-	-	(608,244)	(608,244)
Net Fixed Assets	<u>-</u>	<u>-</u>	<u>544,050</u>	<u>544,050</u>
 TOTAL ASSETS	 <u>154,899</u>	 <u>214,069</u>	 <u>651,080</u>	 <u>1,020,048</u>
<u>LIABILITIES & FUND EQUITY</u>				
CURRENT LIABILITIES				
Due To Other Funds	-	-	-	-
Accounts Payable	4,019	155	690	4,864
Current Portion of Long Term Debt	-	-	25,000	25,000
Total Current Liabilities	<u>4,019</u>	<u>155</u>	<u>25,690</u>	<u>29,864</u>
LONG TERM LIABILITIES				
Bonds & Contracts Payable	-	-	195,000	195,000
 Total Liabilities	 4,019	 155	 220,690	 224,864

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
COMBINED BALANCE SHEET
MARCH 31, 2006
PAGE -2-**

	<u>GOVERNMENTAL FUND TYPES</u>		<u>PROPRIETARY FUND TYPES</u>	Totals (Memo Only)
	General	Special Revenue	Water Supply System	
FUND EQUITY				
Contributed Capital	-	-	174,098	174,098
Retained Earnings	-	-	256,292	256,292
Investment in General Fixed Assets	-	-	-	-
Fund Balance - Unreserved and Undesignated	<u>150,880</u>	<u>213,914</u>	<u>-</u>	<u>364,794</u>
Total Fund Equity	<u>150,880</u>	<u>213,914</u>	<u>430,390</u>	<u>795,184</u>
 TOTAL LIABILITIES & FUND EQUITY	 <u>154,899</u>	 <u>214,069</u>	 <u>651,080</u>	 <u>1,020,048</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – ALL GOVERNMENTAL
AND PROPRIETARY FUND TYPES
MARCH 31, 2006**

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPES	Totals (Memo Only)
	General Fund	Special Revenue Fund	Water Supply System	
REVENUES				
Taxes	121,382	-	-	121,382
Intergovernmental				
State	75,572	59,598	-	135,170
Licenses and Permits	12,068	-	-	12,068
Charges for Services	-	-	57,126	57,126
Interest	3,741	3,084	1,459	8,284
Other	<u>27,409</u>	<u>-</u>	<u>8,473</u>	<u>35,882</u>
TOTAL REVENUE	240,172	62,682	67,058	369,912
EXPENDITURES				
General Government	138,081	-	-	138,081
Public Safety	42,760	-	-	42,760
Public Works	25,975	52,038	207,065	285,078
Cultural & Recreation	11,711	-	-	11,711
Capital Outlay	<u>20,852</u>	<u>-</u>	<u>-</u>	<u>20,852</u>
TOTAL EXPENDITURES	<u>239,379</u>	<u>52,038</u>	<u>207,065</u>	<u>498,482</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	793	10,644	(140,007)	(128,570)
OTHER FINANCING SOURCES (USES)				
TRANSFERS FROM (TO) OTHER FUNDS	<u>(113,984)</u>	<u>14,323</u>	<u>100,000</u>	<u>339</u>
EXCESS OF REVENUE & OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	(113,191)	24,967	(40,007)	(128,231)
FUND BALANCE - Beginning of Year	<u>264,071</u>	<u>188,947</u>	<u>470,397</u>	<u>923,415</u>
FUND BALANCE - End of Year	<u>150,880</u>	<u>213,914</u>	<u>430,390</u>	<u>795,184</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
MARCH 31, 2006**

	Major Streets	Local Streets	Totals
<u>ASSETS</u>			
Cash	165,550	42,777	208,327
Due from State - Act 51	<u>4,341</u>	<u>1,401</u>	<u>5,742</u>
 TOTAL ASSETS	 <u>169,891</u>	 <u>44,178</u>	 <u>214,069</u>
 <u>LIABILITIES & FUND BALANCES</u>			
Liabilities			
Accounts Payable	155	-	155
Due to Other Funds	-	-	-
 Fund Balances - Unreserved and Undesignated	 <u>169,736</u>	 <u>44,178</u>	 <u>213,914</u>
 TOTAL LIABILITIES & FUND BALANCES	 <u>169,891</u>	 <u>44,178</u>	 <u>214,069</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
COMBINING STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2006**

	Major Streets	Local Streets	Totals
REVENUES			
Intergovernmental - State	45,055	14,543	59,598
Interest	2,739	345	3,084
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	47,794	14,888	62,682
EXPENDITURES			
Public Works	<u>26,506</u>	<u>25,532</u>	<u>52,038</u>
Total Expenditures	<u>26,506</u>	<u>25,532</u>	<u>52,038</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	21,288	(10,644)	10,644
OTHER FINANCING SOURCES (USES)			
Transfers From (To) Other Funds	<u>(10,200)</u>	<u>24,523</u>	<u>14,323</u>
EXCESS OF REVENUES & OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES & OTHER USES	11,088	13,879	24,967
FUND BALANCE - Beginning of Year	<u>158,648</u>	<u>30,299</u>	<u>188,947</u>
FUND BALANCE - End of Year	<u>169,736</u>	<u>44,178</u>	<u>213,914</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
BALANCE SHEET
GENERAL FUND
MARCH 31, 2006**

ASSETS

Cash	148,409	
Delinquent Taxes Receivable	6,490	
Due From Other Funds	<u>-</u>	
TOTAL ASSETS		<u>154,899</u>

LIABILITIES & FUND BALANCE

Liabilities		
Accounts Payable	<u>4,019</u>	
Total Liabilities		4,019
 Fund Balance - Unreserved and Undesignated		 <u>150,880</u>
 TOTAL LIABILITIES & FUND BALANCE		 <u>154,899</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCE - BUDGET & ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2006**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
2005 Tax Roll	125,000	121,382	(3,618)
Permits & Fees	12,216	12,068	(148)
Shared from State	77,200	75,572	(1,628)
Interest	2,700	3,741	1,041
Other	<u>29,409</u>	<u>27,409</u>	<u>(2,000)</u>
Total Revenues	246,525	240,172	(6,353)
EXPENDITURES			
General Government	131,038	138,081	(7,043)
Public Safety	41,621	42,760	(1,139)
Public Works	31,625	25,975	5,650
Culture & Recreation	11,725	11,711	14
Capital Outlay	<u>20,340</u>	<u>20,852</u>	<u>(512)</u>
Total Expenditures	<u>236,349</u>	<u>239,379</u>	<u>(3,030)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,176	793	(9,383)
OTHER FINANCING SOURCES (USES)			
Transfers From (To) Other Funds			
Water System	(100,000)	(100,000)	-
Local Streets	(14,323)	(14,323)	-
Cemetery	<u>340</u>	<u>339</u>	<u>(1)</u>
Total Transfers	<u>(113,983)</u>	<u>(113,984)</u>	<u>(1)</u>
EXCESS OF REVENUES & OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES & OTHER USES	(103,807)	(113,191)	(9,384)
FUND BALANCE - Beginning of Year	<u>264,071</u>	<u>264,071</u>	<u>-</u>
FUND BALANCE - End of Year	<u>160,264</u>	<u>150,880</u>	<u>(9,384)</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
DETAILED SCHEDULE OF EXPENDITURES - BUDGET & ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2006**

	Budget	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT			
Council	13,200	11,750	1,450
Elections	-	-	-
Clerk	6,000	6,000	-
Office Supplies	1,700	1,505	195
Treasurer	5,400	5,400	-
Tax Collection	650	644	6
Printing & Publication	1,550	1,098	452
Legal & Accounting	5,054	4,983	71
Custodian	14,698	19,236	(4,538)
Cemetery - Wages	9,967	10,213	(246)
- Supplies & Other	1,400	1,206	194
Insurance & Bonds	28,600	28,593	7
Village Hall	17,683	20,102	(2,419)
Employee Taxes & Benefits	19,476	20,806	(1,330)
Other	<u>5,660</u>	<u>6,545</u>	<u>(885)</u>
	131,038	138,081	(7,043)
PUBLIC SAFETY			
Fire Protection	28,021	28,020	1
Law Enforcement	13,100	14,390	(1,290)
Tree Maintenance	<u>500</u>	<u>350</u>	<u>150</u>
	41,621	42,760	(1,139)
PUBLIC WORKS			
Street Lights	9,000	8,485	515
Sidewalks	2,000	1,836	164
Refuse	500	137	363
Equipment Maintenance - Wages	10,956	9,342	1,614
- Supplies	4,000	2,350	1,650
- Repairs	1,669	948	721
- Gasoline	<u>3,500</u>	<u>2,877</u>	<u>623</u>
	31,625	25,975	5,650
CULTURE & RECREATION			
Library	8,500	8,500	-
Park	<u>3,225</u>	<u>3,211</u>	<u>14</u>
	11,725	11,711	14
CAPITAL OUTLAY - Equipment	<u>20,340</u>	<u>20,852</u>	<u>(512)</u>
TOTAL	<u>236,349</u>	<u>239,379</u>	<u>(3,030)</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
BALANCE SHEET
MAJOR STREETS FUND
MARCH 31, 2006**

ASSETS

Cash	165,550	
Due from State - Act 51	<u>4,341</u>	
TOTAL ASSETS		<u>169,891</u>

LIABILITIES & FUND BALANCES

Liabilities		
Accounts Payable	155	
Due To General Fund	-	
Fund Balance - Unreserved and Undesignated	<u>169,736</u>	
TOTAL LIABILITIES & FUND BALANCE		<u>169,891</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCE - BUDGET & ACTUAL
MAJOR STREETS FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2006**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Act 51 Proceeds	39,000	45,055	6,055
Interest	<u>1,500</u>	<u>2,739</u>	<u>1,239</u>
Total Revenues	40,500	47,794	7,294
EXPENDITURES			
Routine Maintenance	28,775	20,546	8,229
Traffic Service	500	1,442	(942)
Ice and Snow Removal	1,000	1,759	(759)
Parks	-	2,709	(2,709)
Administration & Engineering	25	50	(25)
Construction	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>30,300</u>	<u>26,506</u>	<u>3,794</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,200	21,288	11,088
OTHER FINANCING SOURCES (USES)			
Transfers From (To) Other Funds	<u>(10,200)</u>	<u>(10,200)</u>	<u>-</u>
Total Other Financing Sources (Uses)	(10,200)	(10,200)	-
EXCESS OF REVENUES & OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES & OTHER USES	-	11,088	11,088
FUND BALANCE - Beginning of Year	<u>158,648</u>	<u>158,648</u>	<u>-</u>
FUND BALANCE - End of Year	<u>158,648</u>	<u>169,736</u>	<u>11,088</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
BALANCE SHEET
LOCAL STREETS FUND
MARCH 31, 2006**

ASSETS

Cash	42,777	
Due from State - Act 51	<u>1,401</u>	
TOTAL ASSETS		<u><u>44,178</u></u>

LIABILITIES & FUND BALANCE

Liabilities		
Due to General Fund	-	
Fund Balance - Unreserved and Undesignated	<u>44,178</u>	
TOTAL LIABILITIES & FUND BALANCE		<u><u>44,178</u></u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
STATEMENTS OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCE - BUDGET & ACTUAL
LOCAL STREETS FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2006**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Act 51 Proceeds	14,000	14,543	543
Interest	200	345	145
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	14,200	14,888	688
EXPENDITURES			
Routine Maintenance	37,673	23,266	14,407
Traffic Service	550	746	(196)
Ice and Snow Removal	500	1,520	(1,020)
Construction	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>38,723</u>	<u>25,532</u>	<u>13,191</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(24,523)	(10,644)	13,879
OTHER FINANCING SOURCES (USES)			
Transfers From (To) Other Funds	<u>24,523</u>	<u>24,523</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>24,523</u>	<u>24,523</u>	<u>-</u>
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	-	13,879	13,879
FUND BALANCE - Beginning of Year	<u>30,299</u>	<u>30,299</u>	<u>-</u>
FUND BALANCE - End of Year	<u>30,299</u>	<u>44,178</u>	<u>13,879</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
BALANCE SHEET
WATER SUPPLY SYSTEM FUND
MARCH 31, 2006**

ASSETS

CURRENT ASSETS

Cash	73,491	
Accounts Receivable - Water Customers	7,293	
- Special Assessments	24,079	
- Delinquent Special Assessments	725	
- Delinquent Hydrant Rentals	<u>1,442</u>	
Total Current Assets		107,030

CAPITAL ASSETS

Land	35,066	
Buildings	42,769	
Distribution System	1,074,459	
Less: Accumulated Depreciation	<u>(608,244)</u>	
Net Fixed Assets		<u>544,050</u>

TOTAL ASSETS		<u>651,080</u>
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LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accounts Payable	690	
Current Portion of Long Term Debt	<u>25,000</u>	
Total Current Liabilities		25,690

LONG TERM LIABILITIES

Bonds Payable	220,000	
Less: Current Portion (Above)	<u>(25,000)</u>	
Total Long Term Liabilities		<u>195,000</u>

Total Liabilities		220,690
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FUND EQUITY

Contributed Capital		
Capital Grants	368,736	
Less: Amortization	<u>194,638</u>	174,098
Retained Earnings		<u>256,292</u>
Total Fund Equity		<u>430,390</u>

TOTAL LIABILITIES AND FUND EQUITY		<u>651,080</u>
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The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
STATEMENT OF REVENUES, EXPENSES &
CHANGES IN RETAINED EARNINGS
WATER SUPPLY SYSTEM FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2006**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for Service	32,000	30,772	(1,228)
Interest	1,000	1,459	459
Hydrant Assessments	25,445	26,176	731
Connections	2,000	178	(1,822)
Other	<u>9,000</u>	<u>8,473</u>	<u>(527)</u>
Total Operating Revenues	69,445	67,058	(2,387)
OPERATING EXPENSES			
Salaries & Wages	18,717	17,957	760
Professional Fees	3,513	3,153	360
Supplies - Office & Other	600	493	107
- Operating	2,000	359	1,641
Repairs	173,300	149,068	24,232
Utilities & Fuel	4,690	6,009	(1,319)
Depreciation	25,000	27,052	(2,052)
Interest	11,625	11,625	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>239,445</u>	<u>215,716</u>	<u>23,729</u>
Operating Income (Loss)	(170,000)	(148,658)	21,342
OTHER FINANCING SOURCES (USES)			
Depreciation on Fixed Assets Acquired by Capital Contribution	-	8,651	8,651
Transfers From (To) Other Funds	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Financing Sources (Uses)	<u>100,000</u>	<u>108,651</u>	<u>8,651</u>
Net Income (Loss)	(70,000)	(40,007)	29,993
RETAINED EARNINGS - Beginning of Year	<u>296,299</u>	<u>296,299</u>	<u>-</u>
RETAINED EARNINGS - End of Year	<u>226,299</u>	<u>256,292</u>	<u>29,993</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
BALANCE SHEET
CEMETERY PERPETUAL CARE FUND
MARCH 31, 2006**

ASSETS

Cash	<u>11,407</u>	
TOTAL ASSETS		<u>11,407</u>

LIABILITIES & FUND BALANCE

Liabilities		
Due to Other Funds	-	
Fund Balance - Undesignated	<u>11,407</u>	
TOTAL LIABILITIES & FUND BALANCE		<u>11,407</u>

ANALYSIS OF CHANGE IN FUND BALANCE

FUND BALANCE - Beginning of Year	11,407
ADDITIONS	
Interest Earned	339
DEDUCTIONS	
Transfer to General Fund	<u>(339)</u>
FUND BALANCE - End of Year	<u>11,407</u>

The Notes to Financial Statements are an integral part of these statements.

**VILLAGE OF CLIMAX
STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCE - BUDGET & ACTUAL
CEMETERY PERPETUAL CARE FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2006**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest Income	<u>500</u>	<u>339</u>	<u>(161)</u>
Total Revenues	500	339	(161)
EXPENDITURES			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	500	339	(161)
OTHER FINANCING SOURCES (USES)			
Transfers From (To) Other Funds			
General Fund	<u>(500)</u>	<u>(339)</u>	<u>161</u>
EXCESS OF REVENUES & OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES & OTHER USES	-	-	-
FUND BALANCE - Beginning of Year	<u>11,407</u>	<u>11,407</u>	<u>-</u>
FUND BALANCE - End of Year	<u>11,407</u>	<u>11,407</u>	<u>-</u>

The Notes to Financial Statements are an integral part of these statements.

ADDITIONAL INFORMATION

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MEMBERS:
 AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

 MICHIGAN ASSOCIATION
 CERTIFIED PUBLIC ACCOUNTANTS

 *FLORIDA INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

To the Village President and
 Members of the Council
 Village of Climax
 Kalamazoo County, Michigan

This letter is being written in conjunction with the audit for the year ended March 31, 2006, of the financial records of the Village of Climax. The clerk and treasurer of the Village are fulfilling their fiscal responsibilities and the records of the Village were in very good order again this year.

It appears that you have instituted our recommendations of past years.

ADDITIONAL INFORMATION: In compliance with GE Capital's guidelines, we submit the following information which is not covered elsewhere in our audit report or this letter:

- A) There is adequate physical control over the assets of the Village.
- B) The Village has complied in all material respects of the loan agreement with GE Capital.
- C) The financial statements presented in our audit report agree with the financial records of the Village as adjusted by our journal entries.
- D) The Village bills quarterly for water service.
- E) Following is a listing of the summary of insurance coverage of the Village:

<u>Company & Policy #</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration</u>
Michigan Township Participating Plan Policy #MTP112406			4-1-06
	Valuable Papers & Records	100,000	
	Property	1,647,950	
	Property	231,172	
	Auto	3,000,000	
	General Liability	3,000,000/Each Occurrence 5,000,000/Aggregate	
	Wrongful Acts	3,000,000/Each Occurrence 4,000,000/Aggregate	
	Boiler	500,000	
	Crime	10,000	
	Bond	100,000	
	Worker's Compensation	100,000-500,000	4-1-06

Village of Climax
October 11, 2006
Page Two

- F) Page three of this letter contains a comparative statement of revenues and expenditures of the Water Fund for the years ended March 31, 2006 and 2005. The amounts in the 2006 column are taken from our audit report. The amounts in the 2005 column were derived from the financial statements prepared by the Village. The Village is only required to have a biennial audit and, therefore, the amounts for the year ended March 31, 2005, are not audited numbers.

We wish to thank you again this year for the opportunity of serving you and for the very fine assistance and cooperation we received from everyone contacted during the course of the audit. Do not hesitate to contact us if you should have questions or need assistance in the future.

Foote and Lloyd
CERTIFIED PUBLIC ACCOUNTANTS

Page 3 Attachment
Battle Creek, Michigan
October 11, 2006

**VILLAGE OF CLIMAX
STATEMENT OF REVENUES, EXPENSES &
CHANGES IN RETAINED EARNINGS
WATER SUPPLY SYSTEM FUND
FOR THE FISCAL YEARS ENDED MARCH 31**

	2006	2005
REVENUES		
Charges for Services	30,772	28,927
Interest & Assessments	27,635	36,500
Other	<u>17,302</u>	<u>2,870</u>
Total Operating Revenues	75,709	68,297
OPERATING EXPENSES		
Salaries & Wages	17,957	16,713
Professional Fees	3,153	3,788
Supplies - Office & Other	493	743
- Operating	359	1,220
Repairs	149,068	10,322
Utilities & Fuel	6,009	5,439
Depreciation	27,052	27,033
Interest	11,625	12,875
Other	<u>0</u>	<u>0</u>
Total Operating Expenses	215,716	78,133
Operating Income	(140,007)	(9,836)
OTHER FINANCING SOURCES (USES)		
Transfer from General Fund	<u>100,000</u>	<u>0</u>
Net Income (Loss)	(40,007)	(9,836)
RETAINED EARNINGS, April 1	<u>470,397</u>	<u>480,233</u>
RETAINED EARNINGS, March 31	<u>430,390</u>	<u>470,397</u>